



## Nationwide Tax Forum

# *Offer in Compromise*



# Offer in Compromise

- Definition of an offer in compromise (OIC)
- OIC requirements
- Program enhancements
- What's next in the OIC program



# What is an Offer in Compromise?

An offer in compromise:

- Allows taxpayers to settle their tax debt for less than the full amount owed
- Can be an effective tool to resolve tax liabilities for qualifying individuals
- Is not intended as a solution for all taxpayers who owe a tax debt



# OICs in the Collection Process

- All other payment options should be exhausted before an OIC may be considered
- Absent special circumstances, those able to full pay a liability, or enter into an installment agreement, will not be eligible
- Less than 1% of balance due accounts are resolved through OICs each year



# Types of OICs

- Doubt as to Liability - doubt exists that the assessed tax is correct
- Doubt as to Collectibility - doubt exists that the tax liability could be fully paid during the life of the statute, plus any extensions allowed by law
- Effective Tax Administration - no doubt the tax is correct and no doubt the amount owed could be collected, but an exceptional circumstance exists (public policy/equity/economic hardship)



# OIC Requirements

- Filed all required federal tax returns
- Not involved in an open bankruptcy proceeding
- Filed and paid all employment tax returns on time for two quarters prior to filing the OIC and is current with federal tax deposits for the quarter in which the OIC is submitted



# Common Reasons for Process Delays

- OIC not filed on May 2001 version of Form 656, *Offer in Compromise*; Forms 433A or 433B, *Financial Information Statements*
- Amount offered is less than the reasonable collection potential (RCP)
- Failed to submit required financial documents
- Special circumstances for an ETA OIC are not fully documented on Form 656, Item 9



# Why OICs Are Not Accepted

- Non-Processable cases - failed to file required tax returns, in open bankruptcy, or delinquent in filing/payment of required employment returns
- Returned cases - failed to submit financial documents, make estimated payments, or file/pay returns during OIC investigation
- Rejected cases - offer amount is less than the reasonable collection potential



# Program Enhancements

- As of August 2001, OIC submissions centralized into two locations
- Less complex cases are handled more quickly in a batch processing environment, with greater consistency in case decisions
- Earlier identification of inappropriate OICs (can full pay or submitted to delay collection process)
- Faster identification and transfer of the more complex cases to collection field offices



# OIC Program Status

- Final OIC regulations, Treasury Decision 9007, published July 2002
- Practitioner feedback has contributed to improvements in the investigative process, while reducing taxpayer burden
- Percentage of cases closed within six months or less has increased
- Timeliness on case resolution is improving



# Inventory Status

## Cumulative June 2003

Receipts	96,540
Not processable	23,442
Disposed within 6 months	55%
Total inventory	66,907
- Consolidated OIC sites	27,048
- Field	39,859



# Moving Forward

- Status of proposed user fee regulation
- ETA OICs filed under public policy/equity to be worked by specialized group
- Legislative initiatives
  - Partial payment installment agreements
  - Streamline Counsel review of acceptances
  - \$5,000 penalty for frivolous OIC submission
- Enhanced OIC information on [www.irs.gov](http://www.irs.gov)



# Offer in Compromise

## Toll Free Phone Numbers

*Memphis*      *866-790-7117*

*Brookhaven* *866-611-6191*



# *Questions?*

For more information visit:

[www.irs.gov/businesses/small/index.html](http://www.irs.gov/businesses/small/index.html)

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